

## Federal Highway Trust Fund Sources

The Federal Highway Trust Fund (HTF) is the primary source of funds for federal surface transportation programs. Below is a financial statement from the FHWA showing sources of revenue to the Highway Trust Fund by category for FY 2000.

### FINANCIAL STATEMENT

#### WHERE IT COMES FROM

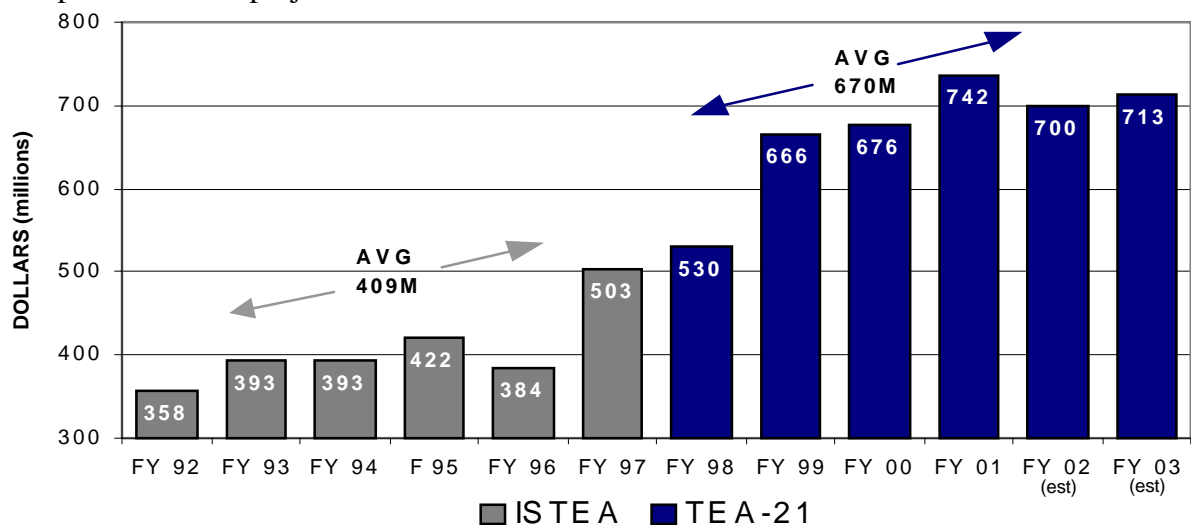
#### Highway Account Revenues (in millions)



Source: Federal Highway Administration

On June 9, 1998, President Clinton signed TEA-21 into law. The legislation authorizes the federal-aid highway, transit, safety and research programs charged with maintaining and improving the nation's surface transportation system. The Indiana Department of Transportation supports the legislation for its equity, flexibility and "off-budget" provisions.

Two provisions of TEA-21 in particular provide more equitable funding for Indiana. The legislation provides a guaranteed level of funding for fiscal years 1998-2003 by taking highway and transit program funding "off-budget." This means that these programs no longer have to compete with other federal priorities for scarce dollars. Because of the off-budget provisions, transportation agencies know the minimum funding they will be receiving through the life of TEA-21 and can therefore better plan for future projects.



Indiana's Federal highway funds will increase by an average of \$261 million per year over the average of the ISTEA years. These funds are shared by INDOT, cities, and counties.

Source: Federal Highway Administration

## TEA-21 and the Federal Highway Trust Fund

In each state, federal highway user taxes (i.e. gas taxes) are sent to the federal government and are credited to the Federal Highway Trust Fund, as provided by law. It would seem equitable for a state to receive back from the federal government an amount proportionately equal to the taxes it paid into the Trust Fund. However, until recently, states received distributions from the fund in widely varying amounts as a result of the complex laws and formulas governing these monies.

Before the passage of the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), Indiana received only a 78 percent rate of return, one of the lowest among all the states. After the passage of TEA-21, Indiana increased to a 90.5 percent minimum guaranteed rate. The FY 2001 rates of return (based on FY 1999 contributions) are shown below for each state. When determining apportionments for FY 2001 based on the rate and contributions below, note that apportionments shown in the TEA-21 table (opposite) reflect additional funding distributed to the states.

